

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7028**

**BILL NUMBER:** HB 1159

**NOTE PREPARED:** Feb 8, 2007

**BILL AMENDED:** Feb 8, 2007

**SUBJECT:** Preferred Provider Contracts.

**FIRST AUTHOR:** Rep. Fry

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill requires a person that organizes or administers a preferred provider plan to report certain information to the Department of Insurance (DOI) and to make certain disclosures to a provider in connection with a preferred provider plan agreement. It makes a violation an unfair and deceptive act in the business of insurance.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The bill provides that administrators of preferred provider plans must file additional contract information to the DOI. [Preferred provider organizations (PPOs) are groups of doctors who sign contracts agreeing to a certain level of payment for certain services.] The impact on DOI administrative expenses should be minimal. The DOI should be able to monitor the additional requirements given its existing level of staff and resources.

Noncompliance with the provisions of the bill could result in violations of the prohibition on unfair and deceptive acts or practices in the business of insurance and may be subject to a hearing by the Commissioner of Insurance. Adding an additional violation to the unfair and deceptive acts provisions could increase the number of violations for which a hearing may ensue. However, the DOI should be able to handle any additional hearings given its current level of budget and resources.

**Explanation of State Revenues:** As a result of a hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice, and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not be more than \$50,000 for each act or violation. All civil penalties

imposed and collected are deposited in the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:**

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